

As Indian economy grows, copper demand to rise across business verticals

Copper and sustainable development are aligned as copper is a metal that influences multiple verticals and United Nations' goals for development. Admittedly, many sustainable development trends rely on copper for its characteristics and temperament. Right from air quality, electrical safety, energy efficiency, inclusive energy, renewable energy, alternative vehicles, and climate change, the criticality of copper comes into play. However, limited awareness of this element's role in sustainable development crucially affects its application, undermining its importance.

Globally, economic growth is contributing to the growth of the copper industry. In the year 2017 the global copper demand of semis grew by 3% y-o-y to reach 26,941 KT as compared to 26,162 KT in 2016.

In the years, China's market share almost doubled from 26% to 48%. With the exception of India, geographic market share of all other regions has declined since 2007. India has shown growth of one percentage from 3 to 4%. What is of interest is that while Europe's share of semis demand has declined – from 22% in 2007 to 17% in 2017 – the decrease is much less than for any other region (other than China

and India)

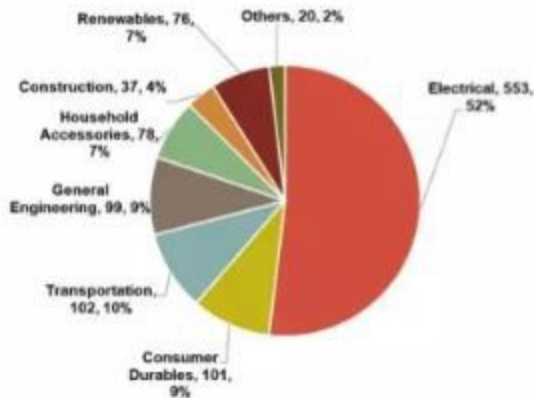
In the recent past, Chinese usage has been driven by many government initiatives such as the 13th Five-Year Plan (2016-2020), Made in China 2025, and Belt and Road.

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Coming to India, the total Copper usage in India grew by CAGR 6% during FY16 to FY18 to reach 1,065 kT from 941 kT in FY16. The electrical sector

continues to be biggest user of copper and its usage grew by CAGR 5% during the period. It was consumer durables and transportation sectors which recorded the higher growth in copper usage at CAGR 11% and 12% respectively. Several government and industry initiatives, in addition to collaborative efforts, are responsible for this growth. Copper has been recognized as the metal for 'Today and tomorrow' as it offers many

Breakdown of the current demand for Copper in India (FY18) in kT, %share



innovative solutions. Government initiatives such as 'Electricity for all 24x7', developing SMART cities, National Mission on affordable housing for all, and efforts to reduce carbon footprint are expected to favourably affect the growth of copper. These factors will increase copper demand in the form of wires and cables, high efficiency motors, distribution transformers, renewable energy, electric vehicles, and more.

Moreover, as the Indian economy grows, increasing disposable income, urbanization, large young working class, formation of large megacities and new cities, and infrastructural push led by the government through various plans and policies, would lead to rise in copper demand across businesses verticals. This surge in demand will witness innovation that will push the industry to adopt energy efficient copper alternatives.

In FY17, the demand for copper (992 kT) was relatively subdued due to the impact of demonetization. Today, as per the market feedback, the impact of GST implementation was witnessed for a relatively shorter period of second / third quarter of the FY 2018. Sectors such as the building wires witnessed a more pronounced shift in supply from unorganized to organized sector because of GST implementation in India.

India is the fastest growing economy and its energy consumption is likely to double in the next six years. This makes it vital for the country to develop quality electrical infrastructure which will back its growth for several years to come. In such a scenario, copper holds a promising future in our country. The resolute push from the government on increasing the share of renewable energy in the electricity mix is a positive

boost on the local procurement of copper through the copper mines in the coming years. The Power Ministry ambition on - Electricity for all 24x7 and the Urban Development Ministry drive of developing - SMART cities along with National Mission to encourage - Affordable Housing and Housing for All, is providing to be a boon for the copper industry in India. So is government's focus on environment and climate change and its proactive commitment to reduce India's carbon emission intensity, i.e. the emission per unit of GDP by 33-35% by 2030 from what it was in 2005. The fresh demand for power will come from 230 million people who will get electricity for the first time. The elimination of diesel generation sets because of access to power and from increased economic activity coming from the Make in India campaign will only encourage this challenge. Through the rollout of energy efficient schemes, we still see a possible 10 percent jump in the electricity growth annually for the next 15 or 16 years.

Wires and cables for use as building wires, power cables; winding wires for High Efficiency Motors and Transformers; renewed thrust and usage in high efficiency products including appliances and air conditioners and its use in e-Vehicles for its powertrain as well as for charging infrastructure will eventually boost the growth of copper fueling the infrastructural development in the country.

Government's Implementation of Goods and Services Tax has shown signs of advancing the electrical industry through an overall reduction in tax burden. The benefit might not directly affect the end consumer, but the manufacturers who are using electrical machinery,

will derive cost advantages in the form of input tax credit on services used. This was not available to them under the VAT regime. In addition, as an added plus it will help to formalize and organize the markets by bringing all big and small players under one umbrella.

India has one of the best standards comparable to the best in the world but as a challenge for us, lack of quality marking and absence of enforcement of standards & codes have been significant hurdles for the copper industry and its usage in India.

The Indian copper industry has also undergone technological and innovative changes to provide better usability to its end users. Small diameter (shift from 7mm to 5mm) inner groove tubes for the condenser coils of the room air conditioners will make the products more cost effective and energy efficient, which will benefit both - the manufacturers and the consumers. Similarly, the die cast copper rotors in place of fabricated copper rotors has increased the productivity of pump manufacturers and helped provide better quality pumps to the farmers.

As the Indian economy grows and moves from lower middle income to higher middle-income bracket (based on per capita income), growth in disposable income, growing urbanization resulting in formation of large megacities and new cities, infrastructural push led by the government through various plans and policies. We are certain it would lead to rise in copper demand across all verticals of businesses. This surge in demand will witness more innovation that will outgrow the industry to adopt energy efficient copper alternatives.

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